

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE OF THE WOODS REGIONAL SEWER DISTRICT

MARSHALL COUNTY, INDIANA

January 1, 2013 to December 31, 2016



FILED
03/01/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Examination Results and Comments:	
Annual Financial Report	4
Internal Controls over Financial Reporting	4
Exit Conference	5

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jonathon G. Oswald	01-01-13 to 12-31-18
President of the Board	Kevin Hines	01-01-13 to 12-31-13
	William Reed	01-01-14 to 12-31-17
	Kevin Hines	01-01-18 to 12-31-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE LAKE OF THE WOODS REGIONAL
SEWER DISTRICT, MARSHALL COUNTY, INDIANA

This report is supplemental to our examination report of the Lake of the Woods Regional Sewer District (District), for the period from January 1, 2013 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statements Examination Report of the District, which provides our opinion on the District's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

January 16, 2018

LAKE OF THE WOODS REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in the prior Report B42243, entitled *STATE AGENCIES - COMPLIANCE REQUIREMENTS*.

The financial activity reported on the Annual Financial Reports filed for 2013 through 2016 did not match the District's records. Checks, ranging from \$833 to \$6,320 each year, were recorded as financial activity of the year in which they cleared the bank rather than the year in which they were written.

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The District had not established a proper system of internal controls to prevent, or detect and correct, errors on the financial statements. The Treasurer independently prepared the financial statements for inclusion into the Gateway portal without any oversight, review, or approval process to verify the accuracy of the information and amounts.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

LAKE OF THE WOODS REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 16, 2018, with Jonathon G. Oswald, Treasurer; Kevin Hines, President of the Board; Gordon Guntner, Board member; and Christine Egenlauf, Office Manager.